

Town of Stonington
Board of Finance, Budget Book Subcommittee
Minutes of Special Meeting, held August 20, 2018
Location - Town Hall, 153 Elm Street, Stonington CT, first floor meeting room.

Board of Finance Members in attendance, Blunt White, Danielle Chesebrough and Michael Fauerbach. Town Staff - Director of Finance James Sullivan. No members of the public were in attendance.

The meeting was called to order at 4:05pm. A motion to approve the minutes of the July 25 meeting was made by White and seconded by Fauerbach. There were no comments or communications from the public.

It was agreed that the Subcommittee's recommendations from the August 20 meeting be included as a handout for the September 5 Board of Finance Meeting and that the Recommendations be placed as a New Business item on the September Agenda for possible action at the October Board of Finance Meeting.

Recommendations for Budget Book formatting and content

- 1) Reduce redundant columns (specifically the ones titled Revised Budget) this would free up space to show additional years Adopted Budget to Actual Expended with Variances, see below; for example, in the Summary of Budget Revenue on pages 24 and 25 (FYE 6/2019 Budget Book) the new format would allow BOF to show (on the Revenue side) 3 years of Adopted Budget paired to Actual with \$ and %. New columns highlighted.

Revenues - Existing pages 24 – 25, 10 columns

2015-2016 ADOPTED BUDGET	2015-2016 REVISED BUDGET	2015-2016 ACTUAL	2016-2017 ADOPTED BUDGET	2016-2017 REVISED BUDGET	2016-2017 ACTUAL	2016-2017 % OF ACTUAL TO BUDGET	2017-2018 ADOPTED BUDGET	2017-2018 ESTIMATE OF ACTUAL	2018-2019 PROPOSED BUDGET
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Revenues - Proposed: 11 columns

2015-2016 ADOPTED BUDGET	2015-2016 ACTUAL	VARIANCE 2015-2016 % ACTUAL TO BUDGET	2016-2017 ADOPTED BUDGET	2016-2017 ACTUAL	VARIANCE 2016-2017 % ACTUAL TO BUDGET	2017-2018 ADOPTED BUDGET	2017-2018 ESTIMATE OF ACTUAL	2018-2019 PROPOSED BUDGET	\$ AMOUNT INCREASE/ (DECREASE)	% CHANGE PROPOSED BUDGET
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Expenses - Existing pages 26 -27, 11 columns

2016-2017 ADOPTED BUDGET	2016-2017 REVISED BUDGET	2016-2017 ACTUAL EXPENDED	2016-2017 % OF ACTUAL TO BUDGET	2017-2018 ADOPTED BUDGET	2017-2018 REVISED BUDGET	2018-2019 DEPT REQUEST	2018-2019 FIRST SELECTMAN	2018-2019 BOARD OF FINANCE	AMOUNT INCREASE/ (DECREASE)	% CHANGE
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Expenses - Proposed 11 columns, to be used in the Summary section and throughout the Book

2016-2017 ADOPTED BUDGET	2016-2017 ACTUAL EXPENDED	2016-2017 % OF ACTUAL TO BUDGET	2017-2018 ADOPTED BUDGET	2017-2018 ESTIMATE OF ACTUAL	2017-2018 % OF ACTUAL TO BUDGET	2018-2019 DEPT REQUEST	2018-2019 FIRST SELECTMAN	2018-2019 BOARD OF FINANCE	\$ AMOUNT INCREASE/ (DECREASE)	% CHANGE
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- 2) On the Budget Revenue Summary on pages 24 – 25 relocate and rename the section/rows titled Other Funding Sources, note this section contains only Use of Fund Balance. Therefore rename

it to Use of Fund Balance and move it to the bottom of the Expenditure Summary Page (pages 26 – 27).

This shift in placement of Use of Fund Balance would mirror traditional P&L statement construction by showing Use of Fund Balance as a Transfer to fund shortfalls between Total Revenues and Total Expenditures (to fund a budgeted loss). This would solve a major weakness of the current presentation format which treats Use of Fund Balance as a revenue source (by showing it as revenue above the “bottom line”).

Another significant weakness of the current presentation format is not disclosing Budgeted deficits and the history of Actual surpluses. This problem would be fixed by reconciling the differences between the Summary totals for Revenues and Expenses upon adoption of the recommended presentation format described in item 1.

Budgets with built in deficits require a Use of Fund Balance. The occurrence of Actual surpluses (unbudgeted or if budgeted) allow the Town to build its Unassigned Fund Balance.

In the Summary section Transfers out of the General Fund into Special Revenue Funds such as CIP and WPCA are recommended to be shown below the bottom line, before Use of Fund Balance. This would mirror the presentation format used in the Town’s audit (see page 95).

- 3) A requirement for additional details to be included by all Department Heads in their narratives; for example, for the current year discuss anticipated budget variances, unusual non-recurring costs (such as legal or consulting fees), number of employees (FTE and part time), metrics for cost per employee (average at base and fully loaded). Explain noteworthy trends, discuss CIP requests.

Director of Administrative Services narrative to include a new presentation on the cost of healthcare, pension and OPEB benefits (the same presentation format would be used by BOE). Also discuss legal costs to the Town for defending lawsuits, discuss how the costs are funded.

The Director of Finance is the Town’s Risk Manager, his narrative would include discussion of how, and the cost of, self-insurance and third party commercial Property and Liability insurance.

- 4) Capital Leases payments - move from CIP section to Long Term Debt section. List the Capital Leases separately from traditional Debt. Provide a row for each Capital Lease obligation with amounts paid to Interest and Principal.

In the CIP section of the narrative for the proposed Budget Year, follow the full disclosure format used in the Budget from FYE 6/2017.

- 5) Mill Rate, make the concept easier for Citizens to understand; for example, where appropriate in the Budget Book instead of Mill Rate “mills/thousands” use Tax Rate “percentages, hundredths.”

For example, to express the Mill Rate as a percentage Tax Rate move the decimal point one place to the left. The current Mill Rate of 22.68 is the same as a Tax Rate of 2.268% of a property’s assessed value.

An appropriate place for the tax rate information and comparison to the prior year's tax rate would be several new rows on the Mill Rate Calculation page (page 22 of the FYE 6/2019 Budget).

Recommendations for Town Website, Assessor's webpage or Board of Finance webpage

- 1) Provide an interactive tax dollar cost calculator (at the proposed Mill Rate) tied to the input of a property address (link to Town GIS). This would provide a much easier solution for Citizens than looking up their Assessed Value, dividing it by 1,000 and then multiplying the result by the proposed Mill Rate.

Recommendations for Outreach

- 1) During, or in advance of Budget Season hold a municipal budgeting info session geared toward Citizens. Topics would not include discussion of budget requests. The info session would focus on how to read the Budget and the Town's audited financial statement (discuss General Fund Budget, Special Revenue Funds, history of State and Federal Aid, Budget versus Actual).

Recommendations for a New Section – Board of Finance Commentary

- 1) This new section would begin with an Executive Summary of the "key *financial* issues" contained in the First Selectman's Budget (BOF Chair to write summary). In essence this section and its Executive Summary would function as a non-partisan fiscal analysis with a "tone" and topics similar to that contained in Town's Audit Management Discussion (see Audit pages 5 thru 13). The Director of Finance to write the section with support from BOF.
- 2) A new traditional P&L summary presentation for the proposed General Fund budget compared to the current year and prior year, plus additional pages with a 10 year history of past Budgets for comparison purposes (same format).

Traditional P&L presentation means Revenues appear at the top, below that Expenses, then a "bottom line" Surplus/Deficit with a lines below that for Transfers out to Special Revenue Funds (WPCA and CIP) with Deficits paid from, or surpluses transferred to Unassigned Fund Balance. Example below from FYE 6/2019.

Include certain Balance Sheet accounts; for example, Changes in Unassigned Fund Balance.

Include a paragraph on key issues shown by the data.

	Adopted Budget FYE 6/2017	Actual FYE 6/2017	Adopted Budget FYE 6/2018	Proposed Budget FYE 6/2019
Revenues:				
Property Taxes	\$ 58,362,713	\$ 59,178,905	\$ 60,943,813	\$ 62,770,541
Licenses and Permits	757,500	979,744	811,000	878,000
Solid Waste Fees	1,680,000	1,726,775	1,695,000	1,710,000
Miscellaneous	332,300	461,023	519,100	640,600
Total Town Revenues	\$ 61,132,513	\$ 62,346,447	\$ 63,968,913	\$ 65,999,141
State Grants for Education	1,982,500	1,653,361	1,204,800	1,308,345
State Grants for Reimbursement on Revenue	261,000	460,377	436,467	-
State Grants for Other Purposes	87,000	100,761	93,000	94,000
Total State Grants	\$ 2,330,500	\$ 2,214,499	\$ 1,734,267	\$ 1,402,345
Combined Town Revenue and State Grants - Total Revenues	\$ 63,463,013	\$ 64,560,946	\$ 65,703,180	\$ 67,401,486
Expenditures:				
General Government (less WPCA transfer of \$300,000)	19,619,512	18,706,142	20,859,507	21,278,105
Education	36,267,121	36,213,288	37,037,483	38,016,336
Debt Service	5,006,100	5,004,612	6,364,705	8,146,981
Total Expenditures	\$ 60,892,733	\$ 59,924,042	\$ 64,261,695	\$ 67,441,422
Revenues less Expenditures - Surplus (Deficit)	\$ 2,570,280	\$ 4,636,904	\$ 1,441,485	\$ (39,936)
Transfers Out				
WPCA - transfer out to Town Special Revenue Fund	(300,000)	(300,000)	(300,000)	(300,000)
CIP - Transfer to Town Special Revenue Fund	(2,820,280)	(3,041,078)	(3,034,785)	(2,510,064)
Total Transfers Out to Other Town Funds	\$ (3,120,280)	\$ (3,341,078)	\$ (3,334,785)	\$ (2,810,064)
(Deficit, Use of Fund Balance) Surplus, an Addition to Fund Balan	\$ (550,000)	\$ 1,295,826	\$ (1,893,300)	\$ (2,850,000)
Budgeted Use of Fund Balance	\$ 550,000	\$ -	\$ 1,893,300	\$ 2,850,000

Include additional top lines to disclose reliance on State and Federal Grants, (funding sources out of Town control) and their uses (pair grant revenues with associated program expenses netting out to 0). In other words first show Gross Revenues, then Net Revenues.

For FYE 6/2017 the audit indicated State Grants of \$4,860,000 and Federal Grants of \$1,964,000. A combined total of \$6,824,000. Most of these grants are outside of the Budgeting process because they don't flow through the General Fund (they flow through Special Revenue Funds). This is a major weakness in the current presentation because Citizens receive substantial value with no knowledge of the cost.

Include discussion of what the Mill Rate would've been if the State and Federal grants were discontinued and the Town continued that level of service (without State and Federal funding sources).

- 3) For the most recent 3 prior fiscal years (one page for each year in the same format as #2 above) show Budget to Actual with \$ and % Variances.

Include certain Balance Sheet accounts such as Unassigned Fund Balance.

Include a paragraph on key issues shown by the data.

- 4) Table – A 7 year history of State and Federal grants, amount Budgeted, paired against Actual with Variances. Group by General Fund and Special Revenue Funds.

Include a paragraph on key issues shown by the data.

- 5) Table - For the proposed Budget a Table showing the amount of State and Federal Grants budgeted. Include discussion about risk of curtailment and how it could be mitigated.
- 6) Table – A 10 year history of Unassigned Fund Balance with metrics such as 2 months operating to Adopted Expenditures (2/12 = 17%).

Include a paragraph on key issues shown by the data.

- 7) Table – A 3 year history of noteworthy Special Revenue Account activity. These flows are not part of the General Fund (“off budget”), but are noteworthy especially in situations where receipt of State and Federal grants or Transfers (subsidies) out of the General Fund are anticipated and or planned.

For example, provide a standalone comparative financial statement for WPCA, a P&L to disclose the history and scale of operating losses and reliance of General Fund transfers plus subsidy of administration costs. A Balance Sheet and Cash Flow Statement to show cash levels, changes in accounts receivable and payables and the amount spent on capital expenditures. Include WPCA’s CIP in the Town’s CIP.

Include a paragraph on key issues shown by the data.

- 8) Table – 5 year history of Budgeted CIP expenditures plus 5 year forecast (total of 10 years, Gross and Net of Grants).

A non-Budget Book recommendation – BOF to recommend Reactivation of the Permanent Committee to Study Needs and Use of Town Public Buildings. Task with providing anticipated costs of a 10 year plan for buildings and their infrastructure (replacement of roofs, fuel tanks, parking lots etc.). List below from Town Boards and Commissions dated 11/29/2017.

PERMANENT COMMITTEE TO STUDY THE NEEDS AND USE OF TOWN PUBLIC BUILDINGS.

7 Members. 5-year terms

<u>Commission</u>	<u>Member</u>	<u>Term Expires</u>	<u>Affiliation</u>
Charles	Ballato	06/30/19	D
George	Brennan*	06/30/16	D
Stephen	Singer	06/30/13	R
David	Christina	06/30/15	D
Dieter	Zumsande	06/30/12	R
Antonio	Cassata	06/30/13	D
Alisa	Morrision	06/30/18	D

- 9) Chart showing a 10 year history of Mill Rates and gearing (Numerator Adopted Expenditures, less Revenue Offsets, Amount to Be Raised by Taxes divided by Denominator Net Grand List with result multiplied by 1000 equals the Mill Rate). See Addendum for Chart.

Include a paragraph on key issues shown by the data.

- 10) Table – 10 year history of the actual cost of certain key items with metrics, for example; per capita Long Term Debt, per capita number and cost of Town Employees.

Include a paragraph on key issues shown by the Chart data.

- 11) Chart for proposed Budget showing (pictogram) how it is allocated across a typical home (e.g., education, police, highway, debt service, etc.)

Recommendations for BOE's Section in the Town's Budget Book

- 1) An Executive Summary describing the "key financial issues" contained in their Budget. Discuss trends (year over year and longer), risks (such as reductions in State/Federal grants) and mitigants. A non-partisan fiscal analysis with a "tone" similar to that contained in Town's Audit Management Discussion (see page 5 thru 13 of the Audit).
- 2) Continue use of Education Department Summary, (a traditional format P&L, see Addendum). Eliminate 1 year Prior Revised Budget column. Pair Budget to Actual with variances.

In the Revenue section add new lines for 3rd party revenue sources (all State and Federal Grants), and their uses (pair the grant revenues with associated program expense, net to 0). Top line would show Gross revenues, then Net Revenues (net of State and Federal payments). Purpose to identify cost of programs funded by outside sources. In the Expenditure section add more rows for employee costs with rows for Salaries, Health Insurance, Pension and OPEB. If appropriate create a standalone P&L summary for Special Education.

Include discussion of what the Town's Mill Rate would've been if certain programs were continued in the absence of State and Federal funding sources.

- 3) Table – 10 year history of key Actual costs using metrics; for example student population and education spend per pupil, number of employees and cost per employee (separate teachers and administration).

Provide projection for enrollment and future education costs.

Include a paragraph on key issues shown by the data.

Recommendations for CIP Section

- 1) Upcoming year CIP budget requests for items rated A and B should be determined with enough certainty to be within 10% actual cost.

Upon motion duly made and seconded the meeting was adjourned at 5:10pm

Respectfully submitted
Blunt White
Acting Secretary

Approved 10/16/2018
Blunt White - Acting Secretary

GRAND LIST, TOWN BUDGET, MILL RATE AND SPENDING - ANALYSIS

Source: Town Budget Books, Budget Book for Town Meeting on April 30, 2018

JUNE 30 FISCAL YEAR END	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
		Revaluation					Revaluation
(A) NET TAXABLE GRAND LIST (1)	3,124,296,369	2,542,673,025	2,550,819,499	2,570,725,538	2,574,534,296	2,594,149,857	2,710,907,617
(B) ADOPTED EXPENDITURES - Gross spending	56,733,696	57,937,663	58,520,662	61,218,458	64,013,013	67,596,480	70,251,486
(C) REVENUE OTHER THAN TAXES (2)	(7,088,456)	(7,398,927)	(6,396,289)	(6,406,800)	(6,575,300)	(7,982,667)	(8,770,945)
(D) NET EXPENDITURES TO BE RAISED BY TAXES (B) minus (C)	49,645,240	50,538,736	52,124,373	54,811,658	57,437,713	59,613,813	61,480,541
MILL RATE CALCULATION (D) divided by (A)	15.89	19.88	20.43	21.32	22.31	22.98	22.68

(1) Net Taxable Grand List - is net of Assessment Rate of 70% and Collection Rate of 98%.

(2) Revenue Other Than Taxes - Includes Use of Fund Balance, Prior Year Taxes Collected, MV Supplement, Interest and Lien Fees, Licenses and Permits, Fines and Forfeits, Revenue from Use of Town Money, State Grants, Solid Waste Fees and Miscellaneous Revenue. For FYE 6/2019 total State grants are budgeted at \$1,402,345 of which ECS is budgeted at \$1,303,345 (line 23, page 24).

ADOPTED EXPENDITURES - Dollar Change	1,457,598	1,203,967	582,999	2,697,796	2,794,555	3,583,467	2,655,006
ADOPTED EXPENDITURES - Percentage Change	2.6%	2.1%	1.0%	4.6%	4.6%	5.6%	3.9%
MILL RATE - Percentage Change	1.7%	NA	2.8%	4.3%	4.6%	3.0%	NA
NET TAXABLE GRAND LIST - percent change	0.5%	NA	0.3%	0.8%	0.1%	0.8%	NA
USE OF FUND BALANCE	(900,000)	(1,373,000)	(290,500)	(202,400)	(550,000)	(1,893,300)	(2,850,000)
CAPITAL IMPROVEMENTS (CIP BUDGET) - net of Revenue Offsets (3)	868,606	944,012	1,156,434	1,460,561	2,820,280	3,034,785	2,510,064

Addendum

(3) Capital Improvements (CIP Budget) - net of Revenue Offsets - For FYE 6/2019 CIP spending is budgeted at \$2,510,064. That spend is net of one time State grants (reductions) of \$863,525 (LOCIP and Bridge funds, page 113, lines 142 and 145). Proposed gross CIP spending is therefore \$3,373,589 (\$2,510,064 + \$863,525). Of the net CIP spend of \$2,510,064 78% or \$2,150,000 is budgeted to be funded thru Use of Fund Balance leaving \$360,064 funded by property taxes. Contractual lease purchase financing payments are included in the CIP spend and total \$847,000 therefore a significant portion of the lease financing payments (\$486,936 or 57%) is budgeted to be funded by Use of Fund Balance.

Stonington Public Schools

EDUCATION DEPARTMENT SUMMARY

Account Number / Description

REVENUES
 41707 GATES RECEIPTS
 41740 PARKING FEE REVENUE
 GRANT REVENUES

TOTAL EDUCATION DEPT. REVENUES

	Adopted				% Difference Over Prior Year Adopted
	2 Years Prior Actual 7/1/2016 - 6/30/2017	1 Year Prior Adopted 7/1/2017 - 6/30/2018	1 Year Prior Revised 7/1/2017 - 6/30/2018	Budget Total 7/1/2018 - 6/30/2019	
\$	(14,662)	(15,000)	(15,000)	(15,000)	0.00%
\$	(21,207)	(12,000)	(12,000)	-	100.00%
\$	(35,869)	(27,000)	(27,000)	(15,000)	(44.44%)

EXPENDITURES

ADMINISTRATION
 CURRICULUM
 OPERATIONS
 MAINTENANCE
 SPECIAL EDUCATION
 SPECIAL SERVICES
 TECHNOLOGY
 DEAN'S MILL SCHOOL
 WEST BROADWEST VINE STREET SCHOOLS
 MYSTIC MIDDLE SCHOOL
 PAWCATUCK MIDDLE SCHOOL
 STONINGTON HIGH SCHOOL
 STONINGTON HIGH SCHOOL ATHLETICS

TOTAL EDUCATION DEPT. EXPENDITURES

SUBTOTAL EDUCATION DEPT. NET BUDGET

LESS BOARD OF FINANCE REDUCTION
 ADD BOARD OF FINANCE ADDITIONAL FUNDS
 GRAND TOTAL EDUCATION DEPT. NET BUDGET

\$	7,936,714	8,033,482	7,973,482	8,492,694	450,212	5.72%
	538,088	624,431	624,431	645,815	21,384	3.42%
	2,701,176	3,257,824	3,257,824	3,242,578	(15,246)	(0.47%)
	891,169	810,422	810,422	838,343	27,921	3.45%
	7,816,706	7,714,278	7,714,278	7,852,461	138,183	1.79%
	999,237	1,257,215	1,257,215	1,330,118	72,903	5.80%
	\$20,314	805,255	805,255	924,590	119,335	14.82%
	2,336,566	2,364,090	2,412,090	2,395,561	31,471	1.33%
	2,064,884	1,894,518	1,894,518	2,055,937	161,419	8.52%
	2,434,235	2,478,323	2,478,323	2,483,138	4,815	0.19%
	2,176,117	2,185,376	2,185,376	2,214,807	29,431	1.35%
	5,138,532	5,219,778	5,219,778	5,213,980	(5,798)	(0.11%)
	386,031	419,491	419,491	451,314	31,823	7.59%
\$	36,240,072	37,064,483	37,064,483	38,141,336	1,076,853	2.91%
\$	36,240,403	37,037,483	37,037,483	38,126,336	1,085,853	2.94%
	-	-	-	(110,000,000)	(110,000,000)	
\$	36,240,403	37,037,483	37,037,483	38,016,336	975,853	2.64%